

Industrial

savills



Rental market sees mixed performance

Sluggish rental growth for factory and business park space.

- The total leasing volume for industrial space declined by 4.5% year-on-year (YoY) to 3,061 tenancies in Q3/2025. This was almost the same as the quarterly average of 3,065 deals in the last three years.
- From Savills' basket of private industrial properties, prime warehouse and logistics properties monthly rents increased at a faster pace in Q3, up by 4.3% quarter-on-quarter (QoQ) to S\$1.82 per sq ft. Savills' prime multiple-user factory monthly rents slipped by 0.3% QoQ to S\$2.25 per sq ft in Q3.
- The momentum for strata industrial sales remained steady in Q3 with 406 transactions recorded in the quarter.
- Prices of freehold industrial properties in Savills' basket increased by 0.8% QoQ to S\$856 per sq ft in Q3, moderating from the 2.3% growth in Q2. Meanwhile, 30- and 60-year leasehold property prices softened for the first time after a four-year growth. While prices for 30-year leasehold properties fell by 0.3% QoQ to S\$354 per sq ft, those for 60-year leasehold properties dropped by 0.8% QoQ to S\$552 per sq ft in Q3.
- Savills' prime business park monthly rents ended a three-quarter growth run with a 1.6% QoQ decline to S\$6.29 per

sq ft in Q3. Savills' standard business parks rental growth continues to remain flat, registering S\$4.13 per sq ft in Q3.

- Following a short-lived improvement (+2.1% QoQ in Q2), the high-spec industrial rents also dropped in Q3, down by 1.0% to S\$3.94 per sq ft from the previous quarter.
- Based on Savills basket of properties, the rental increase in 2025 for multiple-user factory and warehouse & logistics rents is expected to range from 0% to 3% and 0% to 5% respectively. If we use the JTC rental index, the forecast is expected at 0% to 2% and 0% to 1% respectively.

“As we move towards 2026, the full effect of the Liberation Day tariffs will be felt and only then will the industrial market find a new equilibrium.”

ALAN CHEONG, SAVILLS RESEARCH

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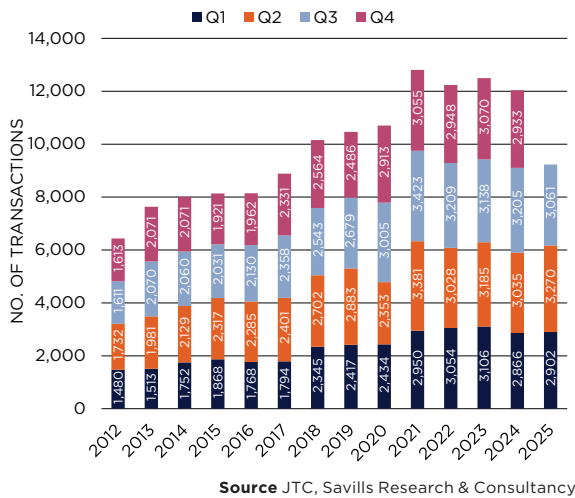
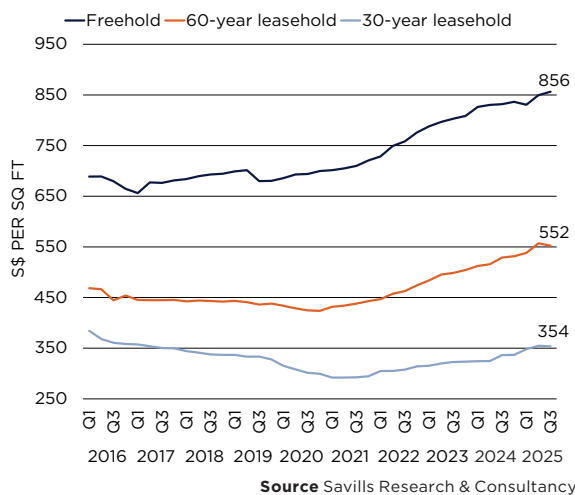
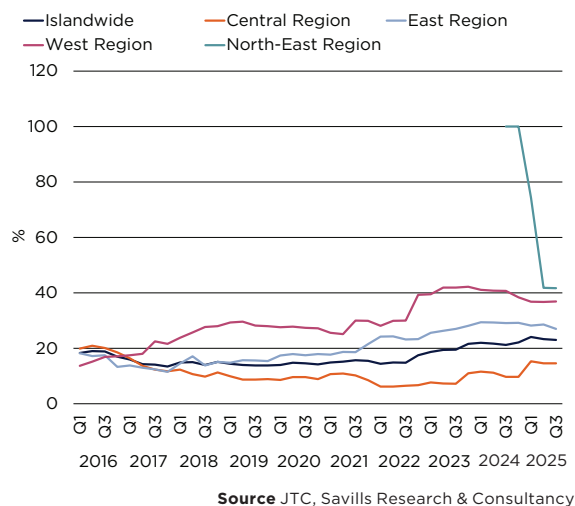
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GRAPH 1: Leasing Volumes of Factories and Warehouses, 2012 to Q3/2025**GRAPH 2: Prices of Upper-Storey Strata Factory and Warehouse Units, Q1/2016 to Q3/2025****GRAPH 3: Business Park Space Vacancy Rates, Q1/2016 to Q3/2025****MACROECONOMIC OVERVIEW**

According to advance estimates from the Ministry of Trade and Industry (MTI), Singapore's economy expanded by 2.9% YoY in Q3/2025, moderating from the 4.5% YoY growth in Q2. The growth was partially offset by the manufacturing sector, which posted a flat growth due to output declines in the biomedical manufacturing and general manufacturing clusters.

The overall factory activity in Singapore held steady in Q3 amid a patchy regional manufacturing performance. The latest purchasing managers' index (PMI) showed a re-entry to the expansion zone in August after a short-lived contraction in July. In view of protracted uncertainty levels in global trade policies, the PMI reading in September remained relatively flat, edging up to 50.1. Following two months of decline, Singapore's key exports recorded an unexpected rebound in September. The latest non-oil domestic exports (NODX) rose 6.9% YoY in the last month of Q3, showing that in this uncertain environment, trade volatility prevails.

RENTAL MARKET

The factory and warehouse segments faced cautious sentiment and slower leasing activity in Q3, with demand falling across the board in the quarter. While single-factory segment recorded a decline of 17.5% YoY in Q3, multiple-user factory and warehouse segments posted a marginal decrease of 4.0% and 1.6% YoY respectively. Although total leasing volume¹ declined by 4.5% YoY to 3,061 tenancies in Q3/2025, it was almost the same as the quarterly average of 3,065 deals for the last three years (2022 to 2024).

Although demand showed signs of moderating but with new supply limited, the vacancy rate for single- and multiple-user factory stayed relatively flat at 10.9% and 9.0% respectively in Q3. The warehouse vacancy rate eased by 0.8 percentage point (ppt) QoQ to 10.4% in Q3, underpinned by a healthy net take-up of over 1.1 million sq ft in the West Planning Region. This could be attributed to the major new completion - Maersk's World Gateway 2, which was fully pre-committed.

The rental market showed a mixed performance in Q3, with warehouses remaining strong. Compared with 0.4% QoQ growth in Q2, JTC's warehouse rental index rose 0.9% QoQ in Q3. According to Savills' basket of private industrial properties, prime warehouse and logistics properties' monthly rents increased at a faster rate in Q3, rising 4.3% QoQ to S\$1.82 per sq ft. Meanwhile, multiple-user factory saw muted rental

growth, with JTC's rental index climbing by 0.4% QoQ in Q3 (compared with 0.9% QoQ in Q2). Savills' prime multiple-user factory³ monthly rents slipped by 0.3% QoQ to S\$2.25 per sq ft in Q3.

SALES MARKET

Compared to the 418 transactions recorded in Q2, the strata industrial sales momentum⁴ remained steady in Q3 with 406 transactions recorded in the quarter. Nonetheless, it fell below the quarterly average of 444 deals in the last three years (2022 to 2024). Despite the lower interest rates, investor sentiments remain clouded by heightened volatility stemming from the tariff uncertainty, hence adopting a wait-and-see approach and delaying investments.

Prices started to show signs of slowing growth, with JTC multiple-user factory price index inching up by 0.1% QoQ in Q3, compared with 1.7% QoQ increase in Q2. Similarly, Savills' basket of freehold industrial property prices increased by 0.8% QoQ to S\$856 per sq ft in Q3, moderating from the 2.3% growth in Q2. Meanwhile, 30- and 60-year leasehold property prices softened for the first time after a four-year expansionary streak. Prices for 30-year leasehold properties fell by 0.3% QoQ to S\$354 per sq ft, those for 60-year leasehold properties dropped by 0.8% QoQ to S\$552 per sq ft in Q3.

BUSINESS PARK AND HIGH-SPEC INDUSTRIAL

Compared to the 23.3% registered in Q2, the islandwide vacancy rate for business park space remained relatively stable at 23.0% in Q3. The slight improvement was attributed to the improved take-up in the East Planning Region, particularly in Changi Business Park. While demand remained steady, business park rents softened after three quarters of growth. JTC rental index for business park fell by 0.2% QoQ in Q3, a reversal from the 1.2% QoQ growth in Q2. Savills' business park rents also showed a similar trend, with prime business park⁵ monthly rents ending a three-quarter growth run with a 1.6% QoQ decline to S\$6.29 per sq ft in Q3. Savills' standard business parks⁶ rental growth continues to moderate, remaining constant at S\$4.13 per sq ft in Q3. Following a short-lived improvement (+2.1% QoQ in Q2), the high-spec industrial rents⁷ also dropped in Q3, down by 1.0% to S\$3.94 per sq ft from the previous quarter.

³ Based on Savills basket of private multiple-user factory properties which ranges from 1,000 sq ft to 3,000 sq ft in size, with an average monthly asking rent of at least S\$1.50 per sq ft.

⁴ Based on JTC's sales caveat data, downloaded on 10 July 2025.

⁵ Based on business park-zoned spaces in the newer clusters which range from 1,000 sq ft to 5,000 sq ft in size, with an average monthly asking rent of at least S\$5.50 per sq ft.

⁶ Based on business park-zoned spaces in the older clusters which range from 1,000 sq ft to 5,000 sq ft in size, with an average monthly asking rent of at least S\$3.50 per sq ft.

⁷ Based on office-like industrial space which ranges from 2,000 sq ft to 4,000 sq ft in size, with an average monthly asking rent of at least S\$3 per sq ft.

TABLE 1: Rental Forecast for Multiple-user Factory and Warehouse & Logistics Segments

PERIOD	YOY % CHANGE IN MULTIPLE-USER FACTORY RENTS	YOY % CHANGE IN WAREHOUSE & LOGISTICS RENTS
2025F	0% to 3%*	0% to 5%*

Source Savills Research & Consultancy

* Using Savills basket of properties. For JTC indices, the rental increase for multiple-user factory and warehouse & logistics rents is expected at 0% to 2% and 0% to 1% respectively.

OUTLOOK

Notwithstanding the higher-than-expected economic growth in Q3, growth is projected to wane as activity in trade-related sectors normalises after the flurry of front-loaded manoeuvres in the first half of the year. The overall economic outlook remains cautious amid the tariff headwinds and implementation of renewed tariffs. As risks remain tilted to the downside, industrial and logistics businesses may continue to defer major leasing decisions. Those who are not ready to commit to new physical space or expansion may consider outsourcing to a 3PL as the tariff regimes stabilise, hence driving leasing demand from 3PLs. For those signing new leases, they are likely to prefer flexible tenancy terms such as short-term

commitment and early termination rights. The other priority is cost-saving, where occupiers seek to optimise available space and improve efficiency. Occupiers are also reevaluating capital expenditure decisions to avoid incurring extra CapEx upon lease expiry or relocation.

While leasing momentum could potentially remain muted in the near term, demand for modern and high-spec industrial space is likely to remain resilient as occupiers continue to prioritise space efficiency. Furthermore, with limited pipeline supply for factory and warehouse spaces in the near term, rents and vacancy rate for modern industrial spaces with high specifications are expected to stay firm for the rest of the year.